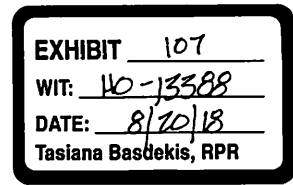


SEC26

**From:** Ted Livingston <ted@kik.com>  
**Sent:** Friday, March 24, 2017 5:15 AM  
**To:** Hubert Saint-Onge <hubert@saintongealliance.com>  
**Subject:** Fwd: My Vision for "Kik Points 2.0"



Pls do not forward. Thoughts/feedback appreciated

----- Forwarded message -----

**From:** Ted Livingston <ted@kik.com>  
**Date:** Fri, Mar 24, 2017 at 10:29 AM  
**Subject:** My Vision for "Kik Points 2.0"  
**To:** Leadership Team <exec@kik.com>

Hi All,

I had a chance to sync with a few of you about the crypto meeting on Wednesday.

One theme I heard was that it was a great session full of lots of good information, discussion, and debate. So a big shout out to Erin, Hayeon, and the team for that!

The other theme I heard was that there was still some ambiguity around the vision for crypto, and how it fit into Kik. Therefore I thought it would be helpful to put my vision onto paper, so that we can all look at the same thing. For simplicity, I am calling our token "Kik Points" for now because I think it makes it simpler to understand. We will need to come up with a new name.

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If I were to take my vision for crypto and dumb it down as much as possible, it would be "take Kik Points, and instead of having it run on our own private centralized database, make it run on the public decentralized block chain". What does this mean? It means:

1. For transactions (Ted spent/"sent" 50 kp to Kik for a new smiley): instead of us privately recording all the Kik Points transaction in our own internal database, we record all the Kik Points transactions on the public blockchain
2. For the amount of currency (there are 5 billion Kik Points out there): instead of us being able to create and give out new Kik Points whenever we want, we use the blockchain to create a fixed number of Kik Points and put all of them in our "Fort Knox for Kik Points". We then give out some of our Kik Points in an ICO, we give out some of our Kik Points to our users to get things going, and we keep the rest of our Kik Points in our Fort Knox for future use. We can give out Kik Points from our Fort Knox

whenever we want, but we can never create new Kik Points

3. For wallets (Ted stores his Kik Points in his Kik Wallet): instead of us creating a private Kik Wallet to hold a user's Kik Points (which they can only access through Kik), we give them a public blockchain wallet to hold their Kik Points (which they can access both inside of Kik, but also, if they want, outside of Kik using their username and password)

Why would we do this? Why not just keep Kik Points running on our own private database? Why put it on the blockchain at all? I see three reasons:

1. It is a way to raise money to fund development. No investor would by Kik Points if they ran on our own internal private database. Why? Because at any moment we could create more Kik Points, as many as we wanted, reducing the value of all the other Kik Points. This is the most critical feature of the blockchain: it can guarantee that there will never be more Kik Points. So if we say there are one billion Kik Points, everyone knows that this will always be true: the supply of Kik Points will always be fixed at 1 billion Kik Points. This is important because the price for any asset is a function of supply and demand. So if you know the supply is guaranteed to always be fixed, and if you believe that the demand will go up, then you know that the price will also go up. Therefore, if you buy some Kik Points today when the demand is low, then you will be able to sell them at a higher price tomorrow when the demand is higher, creating a return. This potential return encourages investors to "buy in" at an ICO. An ICO is where Kik takes a portion of its reserves from its Fort Knox (say 100 million of the 1 billion Kik Points that we initially created and put in our Fort Knox) and sells them in an auction. The value proposition to investors is that if they buy in today at the ICO, and then the demand for the currency goes up because of all the things we do to create demand for them, then they will be able to sell their points at a higher price in the future, and make a return. The money taken in from investors for the ICO is used by Kik to fund development to create more and more demand by both growing the community, and by growing the demand for the currency within the community.

2. It is a new way to monetize a community. Historically the predominant way to monetize a community has been to sell a portion of your community's time and attention to advertisers. The better you do that, the more money you make, the higher traditional investors value your company, the more money you make as a shareholder. Cryptocurrencies provide a new way to monetize a community. Instead of building a community to show them advertising, you build a community to create demand for the community's crypto currency. By increasing the demand for the currency, with a guaranteed fixed supply of it, you increase the price people are willing to pay for that currency. You can then monetize by taking a portion of your remaining reserve holdings in your Fort Knox, and selling them to additional investors for cash at higher and higher prices per Kik Point in order to fund additional development. You can also take some of your remaining reserve holdings in your Fort Knox and give them to employees and investors, which they can then either hold or sell. This lets you fund the company and also gives employees and investors a financial return.

3. It is a way to unite the community to work together to build the best community possible, because in the end everyone – users, developers, creators, and shareholders – economically shares in the upside of what gets created. We can't take on Facebook by playing the same game as them. We need to find a way to unite with our users, our developers, and our creators such that we can all take on Facebook together, and all economically share in the result. A cryptocurrency makes this straightforward, transparent, and guaranteed. If users provide value to the community, they will earn more currency. If creators make great content, they will earn more currency. If developers make great bots, they will earn more currency. And because that currency is on the blockchain, trust is guaranteed: nobody will ever be able to create more Kik Points, not even Kik. So if you earn one Kik Point today, you know it will forever represent one one billionth of all Kik Points in existence. You will also know that you will be able to sell that Kik Point whenever you like, and not even Kik could stop you. This will allow us to all work together for the greater good, with everyone doing their best to evangelize and create great experiences for users of Kik. We all take on Facebook together, because on Facebook only

Facebook makes money if the community grows, but on Kik everyone makes money if the community grows.

But didn't we try Kik Points before? Why didn't it work then? What is so different now? I see three things that are different:

1. The goal is different. The goal of Kik Points was to make money by getting users to opt into advertising, whereas the new goal is to create as many transactions as possible. The original Kik Points just wasn't a good way to drive advertising revenue: you had to opt in, and you had to slowly watch each ad. The scale was just too small. But now the goal isn't revenue, but to increase the number of transactions. Provide great moderation, or design a great sticker, or make a great game bot. Because it is no longer about revenue but about transactions, we can create a million more ways to earn them beyond just watching ads.
2. We can make the new Kik Points a first class citizen. Before we had a small team that developed a bot. Now we can have a bigger team integrating Kik Point earning and spending into all different areas of the app, as a first class citizen.
3. There wasn't a bigger vision. It was just "this is how we will make money", whereas now it is "this is how we will take on Facebook together". This feels like a much more exciting value proposition, to users, to developers, to creators, and to our team.

So how do we get this launched? I see three streams:

1. We need to market it. We need to put together the story, and explain to the world why we are doing this. People will rightfully be skeptical. Why would a centralized company do this? Is this just a money grab? Is this just a move of desperation as your user base declines? We need to be honest, transparent, and explain the why. Yes we have challenges, but this is why we are doing this. We need to find a different way to compete. This is how we all take on Facebook together. And if we win, yes, that will be good for Kik. But it will also be economically good for all the users, developers, and creators who help us take on Facebook also.
2. We need to create demand for it. We need to both grow the user base of Kik Points, and grow the utility of them, such that more and more people want to spend more and more Kik Points. This is the exciting thing about our history with Kik Points: despite limited development, and only one way to earn (watch ads) and one way to spend (buy smileys) we were able to create 10x as many transactions per day as bitcoin does globally. We have lots of ideas for features we can add to grow the number of ways to earn and spend Kik Points, and we will be able to validate and quickly execute on these using the new Short and Long product process.
3. We need to set up the infrastructure. We need to create "Kik Points" on the blockchain (most likely on the Ethereum blockchain), and put all of the Kik Points into our "Fort Knox". We need to give every user a blockchain wallet that they can access both inside of Kik and outside of Kik so that they can hold their Kik Points and see their balance. We need to enable transfers inside Kik, to Kik itself (for things like Smileys), to bots (for things like games), and to other users. And we need to make it incredibly difficult to break into our "Fort Knox", and into the wallets of our users. Most of these pieces (setting up Kik Points on the blockchain, giving all our users a blockchain wallet, setting up and security testing our Fort Knox) can and should be done with partners.

Where do we go from here?

Of the three streams listed above, I propose the following:

1. **Marketing.** We are making great progress here. Still lots to do, but we will get there. I would like us to announce our ICO before the Token Summit May 24<sup>th</sup>, so that we can build momentum for it and answer questions at the summit. To do this we don't need to integrate the token into Kik, or even setup the token on the blockchain, we just need to put together a great white paper. Think of the white paper as our crypto business plan, a document that talks about our vision for the token, how we will grow demand for it both initially and over time, and what the risks are.
2. **Demand generation.** I think we pause on this. We have enough ideas to create a compelling white paper, which is all we need at this stage. If the ICO is successful (meaning we raise more than \$20mm), then we can start working on creating, testing, and scaling demand generating features through the new Short and Long product process.
3. **Infrastructure.** I think this is the most urgent piece that we need to get going right away. How we plan to integrate the blockchain token into Kik will be an important part of the white paper that investors will want to see. We need to figure out what infrastructure pieces we need, who the potential partners are, an evaluation of each of them, and a committed partnership with the ones we select. While we don't actually need to take the step of integrating these pieces into Kik before the ICO, we do need to figure out who we would partner with for each piece, and what the timeline would be to get each piece integrated into Kik, so that we can include this in our white paper.

How do we tackle this?

None of this works if we can't get our chat community growing again, which is a huge task by itself. Therefore I propose the following:

1. Dave and Eran focus on growing the chat community, with support from Erin. Dave and Eran don't think about the crypto piece for the next 4 weeks
2. Erin focuses on putting together the story and white paper, to be published before the Token Summit March 24<sup>th</sup>
3. Dany focuses on getting the infrastructure set up, perhaps with support from Jairaj. This needs to be done by the end of April in order to give us time to include it in the White Paper
4. Alim and Peter focus on keeping the company running
5. I continue to focus on partnerships, both for the ICO, and for potential acquisitions

In summary, if there is one thing you take away from this document, it is the answer to "why do crypto?" The answer to that, at its core, is that it will let us create a simple but powerful alliance with our users, our creators, and our developers, where we all work together to build an amazing community, full of great experiences, that we are all trying to grow. Because if we all take on Facebook together, we will all share in the prize together.

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Ted